

**STATE OF WASHINGTON  
OFFICE OF INSURANCE  
COMMISSIONER**

**FINANCIAL EXAMINATION**



of

**Pacific Northwest Title Insurance Company**  
**Seattle, Washington**  
NAIC CODE 50970  
DECEMBER 31, 2001

Participating States:  
Washington

**CHIEF EXAMINER AFFIDAVIT**

I hereby certify I have read the attached Report of the Financial Examination of Pacific Northwest Title Insurance Company, Inc., of Seattle, Washington. This report shows the financial condition and related corporate matters as of December 31, 2001.



PATRICK H. MCNAUGHTON  
Chief Examiner

5-12-05

Date

## **TABLE OF CONTENTS**

<b><u>SCOPE OF EXAMINATION</u></b> .....	1
<b><u>INSTRUCTIONS</u></b> .....	1
<b><u>COMMENTS AND RECOMMENDATIONS</u></b> .....	2
<b><u>COMPANY PROFILE</u></b> .....	2
HISTORY .....	2
TERRITORY AND PLAN OF OPERATION .....	3
GROWTH OF COMPANY .....	3
GUARANTY FUND DEPOSIT .....	3
<b><u>AFFILIATED COMPANIES</u></b> .....	4
<b><u>MANAGEMENT AND CONTROL</u></b> .....	5
OWNERSHIP .....	5
BOARD OF DIRECTORS .....	5
OFFICERS .....	5
CONFLICT OF INTEREST .....	6
FIDELITY BOND AND OTHER INSURANCE .....	6
OFFICERS', EMPLOYEES', AND AGENTS' WELFARE AND PENSION PLANS .....	6
<b><u>CORPORATE RECORDS</u></b> .....	6
<b><u>RESERVES</u></b> .....	6
<b><u>REINSURANCE</u></b> .....	7
<b><u>STATUTORY DEPOSITS</u></b> .....	8
<b><u>ACCOUNTING RECORDS AND PROCEDURES</u></b> .....	8
<b><u>SUBSEQUENT EVENTS</u></b> .....	8
<b><u>FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS</u></b> .....	9
<b><u>FINANCIAL STATEMENTS</u></b> .....	9
ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS.....	10
STATEMENT OF INCOME AND CAPITAL AND SURPLUS ACCOUNT .....	11
RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE THE LAST EXAMINATION.....	12
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION .....	13
<b><u>NOTES TO THE FINANCIAL STATEMENTS</u></b> .....	14
<b><u>ACKNOWLEDGMENT</u></b> .....	14
<b><u>AFFIDAVIT</u></b> .....	15

**SALUTATION**

Seattle, Washington  
May 12, 2005

The Honorable Alfred W. Gross  
Commissioner  
Chair, NAIC Financial Condition (E) Committee  
State Corporation Commission  
Bureau of Insurance  
Commonwealth of Virginia  
PO Box 1157  
Richmond, VA 23218

The Honorable Linda Hall  
Director, Alaska Division of Insurance  
NAIC Secretary, Western Zone  
550 West 7<sup>th</sup> Avenue, Suite 1560  
Anchorage, AK 99501-3567

The Honorable Mike Kreidler, Commissioner  
Washington Office of Insurance Commissioner (OIC)  
Insurance 5000 Building  
5000 Capital Blvd.  
Tumwater, WA 98504-0255

Dear Commissioners and Director:

In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an Association examination was made of the corporate affairs and financial records of

**Pacific Northwest Title Insurance Company, Inc.**

of

Seattle, Washington

hereinafter referred to as "PNWTIC" or the "Company," at the location of its home office, 215 Columbia Street, Seattle, WA 98104-1511. This report is respectfully submitted showing the condition of the Company as of December 31, 2001.

## **SCOPE OF THE EXAMINATION**

This examination covers the period January 1, 1996 through December 31, 2001 and comprises a comprehensive review of the books and records of the Company. The examination followed the statutory requirements contained in the Washington Administrative Code (WAC), Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FECH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination that were noted during the examination. The findings of the previous examination report were reviewed and all items were satisfactorily addressed by the Company.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following sections of this report. In addition, the Company's certified public accountant's work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

## **INSTRUCTIONS**

The examination team reviewed the Company's filed 2001 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed its annual statement in accordance with the NAIC Annual Statement Instructions and if its accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC's Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review.

### **1. Schedule P Reconciliation**

The Company could not produce reconciled accounts and records to support its annual statement Schedule P, Part 1 Summary in its 1996-2001 NAIC Annual Statements. The Schedule P, Part 1 Summary did not reconcile with the Company's internal reports for the years 1996 to 2001.

**Pursuant to RCW 48.05.280, the Company is instructed to generate full and adequate accounts and records of its assets, obligations, transactions, and affairs in order to ensure accurate and accountable support for all annual statement schedules in compliance with RCW 48.05.250 which requires annual statement filings in general form and context as approved by the NAIC.**

## **2. Holding Company Violation**

The minutes of the Board of Directors' meeting in October 2002 disclosed a declaration and payment of cash dividends to shareholders of record as of November 2002 in the amount of twenty dollars per share in error. In fact, as of 2002 the Company had 46,970 shares which received \$610,610 in dividends or thirteen dollars per share. The Company's 2002 NAIC Annual Statement disclosed a thirteen dollar a share dividend correctly. In addition, these ordinary dividends were declared and paid without prior notification to the OIC as required by RCW 48.31B.025(5)(a).

**Pursuant to RCW 48.31B.025(5)(a), the Company is instructed to report to the OIC all dividends and other distributions to shareholders within five business days after declaration and at least fifteen business days before payment. In addition, the Company is instructed to maintain accounts and records, including Board minutes which reflect accurate operational affairs approved by Board resolutions pursuant to RCW 48.05.280.**

### **COMMENTS AND RECOMMENDATIONS**

#### **1. Business Contingency Plan**

The Company does not have a formal, written Business Contingency Plan based on a business impact analysis; that has been tested, and addresses all significant business activities, including financial functions, telecommunication services, data processing, and network services.

**It is recommended that the Company prepare a formal, written Business Contingency Plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities.**

### **COMPANY PROFILE**

#### **History**

The Company was originally incorporated in 1927 as Commonwealth Title Insurance Company. On March 31, 1993, the Company was purchased by Stewart Holding Company, and on April 2, 1993, the name of the Company was changed from Commonwealth Insurance Company to the Company's current name of Pacific Northwest Title Insurance Company. On December 12, 1996, Stewart Holding Company changed its name to Pacific Northwest Title Holding Company (PNWTHC). The Company is licensed as a domestic title insurance underwriter in Washington State, and licensed as a foreign title insurance underwriter in the states of Alaska, Oregon and Idaho.

## **Territory and Plan of Operation**

The Company's certificates of authority authorize the Company to transact general abstract and title insurance business in the states of Washington, Alaska, Oregon and Idaho. Beginning in 1998, the Company's affiliated agents issued title insurance policies in King, Snohomish, Pierce, Kitsap, and Spokane counties in Washington State; and in local jurisdictions of Anchorage, Fairbanks, Juneau, and Kenai in the state of Alaska, and several jurisdictions in the state of Oregon. Agents began issuing policies in the state of Idaho in 1999. Revenues received from King County agents represent around 30% of the title premium revenues during the year 2001. Revenues received from affiliated agents during 2001 totaled approximately 83% of the total premium revenues.

In addition, the Company has non-affiliated agents in the states of Washington, Oregon and Idaho. The Company's underwriting agreement with these agents states that the Company assumes substantially all liability for losses incurred under title policies issued.

## **Growth of Company**

The following schedules highlight the Company's growth and the results of operations as reported in the Company's filed NAIC annual statements.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>
2001	\$15,156,329	\$8,175,546	\$6,980,783
2000	13,096,933	6,574,890	6,522,043
1999	12,131,124	6,075,486	6,055,638
1998	10,160,546	4,882,491	5,278,055
1997	\$7,697,390	\$2,380,602	\$5,316,788

<u>Year</u>	<u>Operating Income</u>	<u>Operating Deductions</u>	<u>Operating Gains/(Losses)</u>	<u>Net Income</u>
2001	\$41,794,986	\$42,227,136	(\$432,150)	\$215,152
2000	29,081,959	29,329,220	(247,261)	343,380
1999	36,289,165	35,225,152	1,064,013	1,105,750
1998	30,375,753	30,898,628	(522,875)	(9,254)
1997	\$11,771,978	\$11,949,855	(\$177,877)	\$135,014

## **Guaranty Fund Deposit**

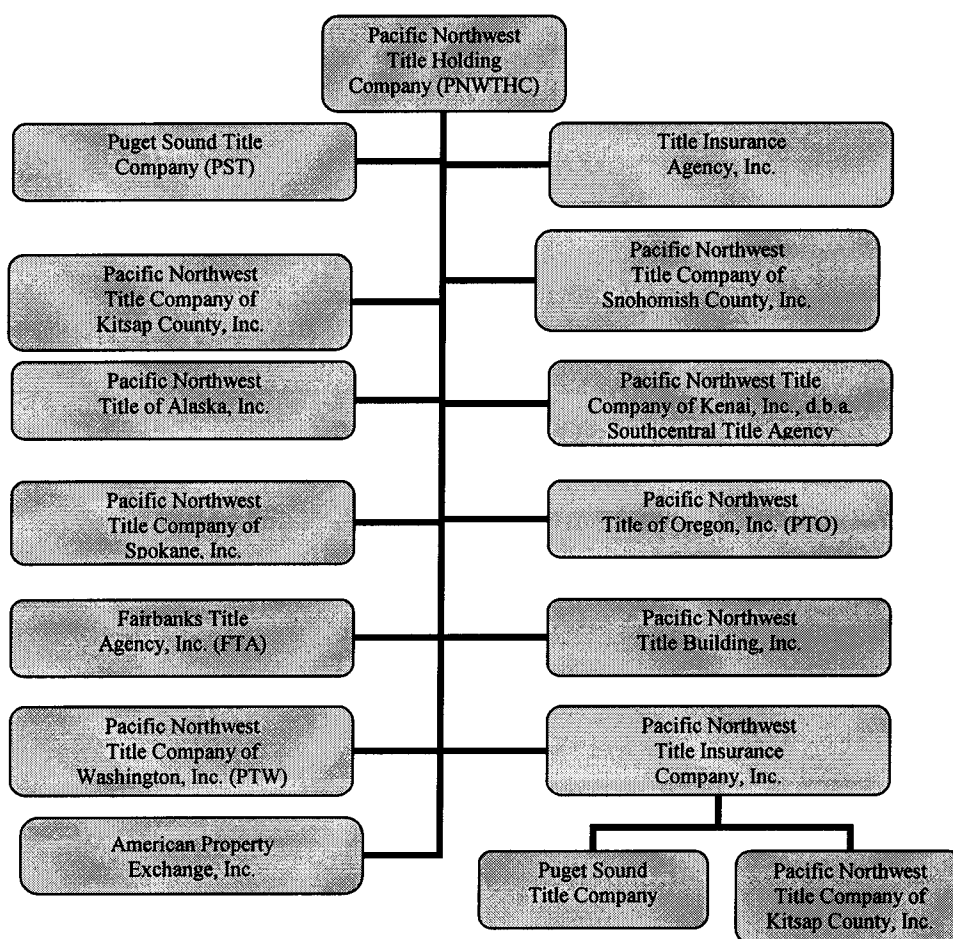
Title insurance companies with certificates of authority to operate in Washington State are required to maintain a guaranty fund deposit under a tri-party agreement with the OIC and a local depository bank as a trustee pursuant to RCW 48.29.030. The amount of

guaranty fund deposit is determined by the population of the county in which the title company writes the largest amount of its title insurance business.

During the examination, the guaranty fund deposits of the Company in Washington, Oregon, Alaska, and Idaho were reviewed. The examination review disclosed that the Company has complied with the statutory guaranty fund deposit requirements of each of the individual states.

### **AFFILIATED COMPANIES**

The following schedule shows the organizational chart as reported in the Company's 2001 NAIC Annual Statement:



The Company has no employees; employees of PNWTHC execute its operations under a management agreement between it and the Company. The Company incurred expenses pursuant to this management agreement of \$1,434,743 and \$1,019,214, in 2001 and 2000, respectively.



## **MANAGEMENT AND CONTROL**

### **Ownership**

The Company was purchased by PNWTHC on March 31, 1993 to conduct business as a domestic title insurance underwriter. Ownership of the Company's common stock as of December 31, 2001, was as follows: PNWTHC, 85.8%; Puget Sound Title Company (PST), 7.8%; PNWTCKC, 2.7%; and 3.7% by other shareholders. PST acts as an agent of the Company in Pierce County, Washington. PNWTKC acts as an agent of the Company in Kitsap County, Washington.

### **Board of Directors (BOD)**

The following BOD members served the Company as of December 31, 2001:

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Principal</u></b>	<b><u>Address</u></b>
Peter T. Murphy	Chairman	CEO PNWTHC	Bellevue, WA 98004
Frederick O. Paulsell	Member	Outside Shareholder	Seattle, WA 98112
James R. Gill	Member	President PNWTHC	Bellevue, WA 98006
Donald R. Kirkland	Member	President PTW	Redmond, WA 98053
Roger L. Johnson	Member	Outside Shareholder	Tacoma, WA 98406
Peter Eising	Member	Outside Shareholder	Seattle, WA 98105
Raymond L. Davis	Member	President PNWTIC	Vashon, Island, WA 98070
Chris Rieland	Member	President PNWTCK	Silverdale, WA 98383
Mark A. Tomlimson	Member	President FTA	North Pole, AK 99705
William O. Carter	Member	President PTO	West Linn, OR 97068

### **Investment Committee**

The following BOD members served on the Company's Investment Committee as of December 31, 2001:

Peter Murphy	Chairman
Frederick Paulsell	Member
Roger L. Johnson	Member
James Gill	Member

### **Officers**

The following officers served the Company as of December 31, 2001:

<b><u>Name</u></b>	<b><u>Position</u></b>
Raymond L. Davis	President
James R. Gill	Secretary/ Treasurer

Donald R. Kirkland	Actuary
Roger L. Johnson	Vice-President
Mark A. Tomlimson	Vice- President
Cynthia L. Olsen	Vice- President
William O. Carter	Vice- President
James E. Berlien	Vice-President
Michael V. Gilbertson	Vice- President

### **Conflict of Interest**

The Company has a policy statement and questionnaire for the disclosure of conflicts of interest and requires all directors and officers to sign the statement annually. The signed statements are reviewed annually by the BOD for conflicts. No exceptions were noted in our review.

### **Fidelity Bond and Other Insurance**

PNWTHC, the Company, and other subsidiaries are insured by an insurance policy covering property, computer and valuable records. In addition the Company is covered by commercial general liability insurance, automobile liability and physical damage, crime and umbrella insurance.

### **Officers', Employees', and Agents' Welfare and Pension Plans**

The Company does not have any employees and therefore, does not provide for employee retirement or deferred compensation arrangements. The Company also does not currently have any retirement, post retirement or deferred compensation arrangements in place for its title agents as of December 31, 2001.

## **CORPORATE RECORDS**

The Company's BOD manages the property and business of the Company and was actively involved in the Company's affairs. Investment purchases, transfers, and disposals were ratified by the BOD and noted in the BOD's minutes. Appointments and elections of officers, reinsurance contracts, bank agreements, and other contracts were also noted in the BOD's minutes.

## **RESERVES**

### **Known Claim Reserves**

Our examination reviewed the known claim reserves carried by the Company for known unpaid losses and loss adjustment expenses as of December 31, 2001. The Company provided loss and loss adjustment expense development data by accident year evaluated

as of December 31, 2001. The OIC examiner obtained additional information from face-to-face meetings with several Company employees and reviewed actuarial reports prepared by Ernst & Young in connection with the appointed actuary's Statements of Actuarial Opinion as of December 31, 2000 and December 31, 2001. No exceptions were noted. Due to the nominal amounts required for known claim reserves, the loss development and the work performed by Ernst & Young were relied upon for our examination.

#### **Statutory Reserve Fund (SRF)**

The Company is required under RCW 48.29.120 to establish a Special Reserve Fund, which shall be held as an additional guaranty fund. The fund shall be used only for the payment of losses after the insurer's liquid resources available for the payment of losses, other than such special reserve fund or the guaranty deposit fund, have been exhausted.

Pursuant to RCW 48.05.073, the Company uses the NAIC AP&P Manual, Appendix 628 (A628), to calculate the net increase of insurance in force in order to adjust the SRF annually. Our examination reviewed the calculation of the SRF and verified that the NAIC methodology was accurately used in the calculation of annual net increases.

#### **REINSURANCE**

The Company entered into a reinsurance treaty effective January 1, 1999 with Ace Capital Title Reinsurance Company (ACE) which covered all single policy risks exceeding \$1,500,000. All single policy risks in excess of \$1,500,000 previous to 1999 were reinsured by non-affiliated authorized reinsurers. The ACE treaty was cancelled as of December 31, 2001 and replaced with a new reinsurance treaty with Old Republic National Title Insurance Company, whereby all amounts in excess of \$2,000,000 on single policy risks are reinsured for all policies written after 2001.

The Company recorded \$237,141 of direct and earned ceded reinsurance premium and reinsurance ceded liabilities of \$765,146,000 with ACE as of December 31, 2001. All ceded reinsurance transactions were with non-affiliated United States authorized reinsurers. The Company assumed no reinsurance for the period ended December 31, 2001.

### **STATUTORY DEPOSITS**

The Company maintained the following deposits as of December 31, 2001 in compliance with statutory and special requirements:

<b><u>Type of Security</u></b>	<b><u>Par Value</u></b>	<b><u>Statement Value</u></b>	<b><u>Market Value</u></b>
Federal Home Loan Note	\$150,000	\$149,733	\$150,797
US Treasury Note	110,000	109,889	113,609
US Treasury Note	300,000	302,625	302,064
US Treasury Note	300,000	295,875	313,407
Federal Home Loan Note	200,000	200,000	198,500
Federal Home Loan Note	200,000	200,000	199,000
Money Market Treasury Securities	199,776	199,776	199,776
	<b><u>\$1,459,776</u></b>	<b><u>\$1,457,898</u></b>	<b><u>\$1,477,153</u></b>

Securities held by the state of Washington and other states were confirmed by the CPA firm of Ernst & Young directly with the states custodians.

### **ACCOUNTING RECORDS AND PROCEDURES**

The Company maintains its accounting records on a GAAP accrual basis of accounting and adjusts to Statutory Accounting Practices (SAP) basis for NAIC Annual Statement reporting. The Company is audited annually by the certified public accounting firm of Ernst & Young. The Company received an unqualified opinion for all years under review. The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination. No exceptions were noted.

The management of the Company is sufficiently knowledgeable of the information systems (IS) process. Systems development, acquisition, and maintenance controls were evaluated to gain assurance that appropriate controls are in place. Operations and application controls were reviewed to determine the type of hardware installed; operating systems and proprietary software in use; back up and recovery facilities employed; and the controls exercised to maintain data security. Sufficient internal controls are in place and monitored by the Company.

### **SUBSEQUENT EVENTS**

Pursuant to OIC Order Approving Acquisition of Control No. G 2004-02, issued May 21, 2004, The First American Corporation, a California corporation, was granted approval to

acquire all of the outstanding stock of Pacific Northwest Title Holding Company. PNWTHC has a controlling interest in PNWTIC, and owns approximately 86% of PNWTIC's outstanding stock. The effective date of the acquisition of control was June 1, 2004.

### **FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS**

All prior examination report instructions were satisfactorily addressed and corrected.

### **FINANCIAL STATEMENTS**

Statement of Assets, Liabilities, Surplus and Other Funds.....	Page 10
Statement of Income and Capital and Surplus Account.....	Page 11
Reconciliation of Capital and Surplus since the last Examination.....	Page 12
Analysis of changes in financial statements resulting from the examination	Page 13

**PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.**  
**ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS**  
**DECEMBER 31, 2001**

	<b>BALANCE PER COMPANY</b>	<b>EXAM ADJ REF</b>	<b>EXAMINATION ADJUSTMENTS</b>	<b>BALANCE PER EXAM</b>
<b>Assets</b>				
Bonds	\$ 1,277,622			\$ 1,277,622
Mortgage loans on real estate	1,580,432			1,580,432
Cash and short-term investments	8,967,326			8,967,326
Other invested assets	1,489,740			1,489,740
<b>Subtotal, cash and invested assets</b>	<u>13,315,120</u>		<u>-</u>	<u>13,315,120</u>
 Title plants	 1,532,605			 1,532,605
Interest dividends and real estate income due & accrued	149,990			149,990
Federal income tax recoverable	99,192			99,192
Receivable from parents, subsidiaries & affiliates	58,422			58,422
Aggregate write-ins for other than invested assets	1,000			1,000
<b>Total Assets</b>	<u><b>\$ 15,156,329</b></u>		<u><b>\$ -</b></u>	<u><b>\$ 15,156,329</b></u>
 <b>Liabilities, Surplus and other Funds</b>				
Known claim reserve	\$ 797,377			797,377
Statutory premium reserve	6,504,572			6,504,572
Commissions, brokerage & real estate income due & accrued	220,000			220,000
Other expenses (excluding taxes, licenses and fees)	21,079			21,079
Taxes, licenses and fees (excluding federal and foreign income)	54,038			54,038
Federal and foreign income taxes (excluding deferred taxes)	366,140			366,140
Funds held by the company for the account of others	75,429			75,429
Payable to parent, subsidiaries and affiliates	136,911			136,911
<b>Total Liabilities</b>	<u><b>8,175,546</b></u>		<u><b>-</b></u>	<u><b>8,175,546</b></u>
 Common capital stock	 4,659,500			 4,659,500
Gross paid in and contributed surplus	959,767			959,767
Unassigned funds (surplus)	1,361,516			1,361,516
Surplus as regards policyholders	6,980,783			6,980,783
<b>Total Liabilities, Surplus and other Funds</b>	<u><b>\$ 15,156,329</b></u>		<u><b>\$ -</b></u>	<u><b>\$15,156,329</b></u>

**PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.**  
**STATEMENT OF INCOME AND CAPITAL AND SURPLUS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>BALANCE PER COMPANY</b>	<b>EXAMINATION ADJUSTMENT REFERENCE</b>	<b>EXAMINATION ADJUSTMENT</b>	<b>BALANCE PER EXAM</b>
<b>STATEMENT OF INCOME</b>				
<b>Title insurance and related income</b>				
Title insurance premium earned	\$41,726,236		\$0	\$41,726,236
Aggregate write-ins for other operating income	68,750			68,750
<b>Total operating income</b>	<u>41,794,986</u>		<u>0</u>	<u>41,794,986</u>
<b>Deductions</b>				
Losses and loss adjustment expenses	1,180,373			1,180,373
Operating expenses incurred	41,046,763			41,046,763
<b>Total operating deductions</b>	<u>42,227,136</u>		<u>0</u>	<u>42,227,136</u>
<b>Net underwriting gain or (loss)</b>	(432,150)		0	(432,150)
<b>Investment Income</b>				
Net investment income earned	808,436		0	808,436
Net realized capital gains or (losses)	0		0	0
Net investment gain or (loss)	<u>808,436</u>		<u>0</u>	<u>808,436</u>
Net income, after dividends to policyholders but before federal and foreign income taxes	376,286			376,286
Federal and foreign income taxes incurred	<u>(161,134)</u>			<u>(161,134)</u>
<b>Net income</b>	<u><b>\$215,152</b></u>		<u><b>\$0</b></u>	<u><b>\$215,152</b></u>
<b>CAPITAL AND SURPLUS ACCOUNT</b>				
Surplus as regards policyholders, December 31 prior year	\$6,522,044			\$6,522,044
<b>Gains and (Losses) in Surplus</b>				
Net income	215,152			215,152
Change in net deferred income tax	(27,918)			(27,918)
Cumulative effect of changes in accounting principles	177,908			177,908
Surplus adjustments paid-in	93,597			93,597
Change in surplus as regards policyholders for the year	<u>458,739</u>			<u>458,739</u>
<b>Surplus as regards policyholders, December 31 current year</b>	<u><b>\$6,980,783</b></u>		<u><b>\$0</b></u>	<u><b>\$6,980,783</b></u>

**PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.**  
**\*RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE THE LAST**  
**EXAMINATION**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<b>Capital and surplus, December 31, previous year</b>	<u><b>\$6,522,044</b></u>	<u><b>\$6,055,638</b></u>	<u><b>\$4,742,273</b></u>	<u><b>\$5,316,788</b></u>	<u><b>\$5,000,000</b></u>	<u><b>\$5,067,611</b></u>
Net income	215,152	343,380	1,105,750	(545,036)	135,014	(67,611)
Change in net deferred income tax	(27,918)	0	0	0	0	0
Change in nonadmitted assets	0	(1,146)	11,547	(29,479)	0	0
Cumulative effects of changes in accounting principles	177,908	0	0	0	0	0
Changes in capital paid in	0	0	93,200	0	136,500	0
Surplus adjustment paid in	93,597	124,172	102,868	0	68,929	0
Aggregate write-in for gain and losses in surplus	0	0	0	0	(23,655)	0
Change in surplus as regards policyholders for the year	<u>458,739</u>	<u>466,406</u>	<u>1,313,365</u>	<u>(574,515)</u>	<u>316,788</u>	<u>(67,611)</u>
<b>Surplus as regards policyholders, December 31, current year</b>	<u><b>\$6,980,783</b></u>	<u><b>\$6,522,044</b></u>	<u><b>\$6,055,638</b></u>	<u><b>\$4,742,273</b></u>	<u><b>\$5,316,788</b></u>	<u><b>\$5,000,000</b></u>

\* = compiled from Company filed NAIC Annual Statements



**PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.  
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM  
THE EXAMINATION  
AS OF DECEMBER 31, 2001**

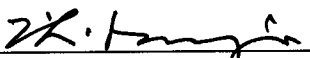
**NONE**

### **ACKNOWLEDGMENT**

Acknowledgment is hereby made of the cooperation extended to the examination team by the officers and employees of Pacific Northwest Title Insurance Company, Inc. during the course of this examination.

In addition to the undersigned, Mike Jordan, CPA, CFE, MHP, Assistant Chief Examiner; Peter Mendoza, CFE; Tarik Subbagh, CPA, Insurance Examiners; and John Jacobson, AFE, Automated Examination Specialist, all from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,

  
\_\_\_\_\_  
Timoteo L. Navaja, CFE, CIE  
Field Supervisor, Property/Casualty  
State of Washington

**AFFIDAVIT**

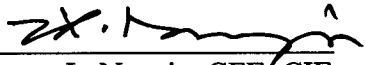
**STATE OF WASHINGTON**

}  
}  
} ss  
}

**COUNTY OF KING**

Timoteo L. Navaja, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Pacific Northwest Title Insurance Company, Inc., was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners.



Timoteo L. Navaja, CFE, CIE  
Field Supervisor, Property/Casualty  
State of Washington

Subscribed and sworn to before me this 12th day of May, 2005.



Notary Public in and for the  
State of Washington.

